

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Report of the Chief Investment Officer

ITEM NUMBER: 13

ATTACHMENT(S): 3

ACTION: _____

DATE OF MEETING: September 1, 1999

INFORMATION: X

PRESENTER(S): Mr. Mitchell

The following is a summary of the developments in the financial markets that have occurred between August 1, 1999 and August 16, 1999.

1. The yield on the 30-year U.S. Treasury bond is unchanged at 6.10%.
2. The market level of the S&P 500 Index is unchanged at 1,328.
3. The U.S. dollar has weakened compared to pound sterling (1.58 to 1.60), euro (104 to 106), and yen (118 to 116).
4. The Federal Reserve Board of Governors will hold their meeting on August 24, 1999. The Federal Reserve is expected to increase the Federal Funds rate and the discount rate by 0.25% respectively.

California State Teachers' Retirement System
Internal S&P 500 Indexed Portfolio Return

The California State Teachers' Retirement System's internal S&P 500 indexed portfolio (Portfolio) was \$6,215,108,284 as of July 31, 1999. The performance objective of the Portfolio is to closely track the return of the S&P 500 Index. Table 1 summarizes the results for the Portfolio, the benchmark S&P 500 Index, and the difference, called "tracking error."

Table 1: S&P 500 Performance

Period	Portfolio Return	Index Return	Tracking Error
3/31/98 – 12/31/98	12.892	12.975	-0.083
12/31/98 – 7/31/99	8.921	8.818	+0.103

Portfolio return calculated by State Street Bank Analytics.

The total return for the Index was calculated by Wilshire Associates.